



**Auditor of State
Betty Montgomery**

**NORTHWEST LIBRARY DISTRICT
WOOD COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Cover Letter	1
Independent Accountants' Report.....	3
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended June 30, 2006.....	5
Combined Statement of Cash Receipts, Cash Disbursements, and Changes in Fund Cash Balances - All Governmental Fund Types - For the Year Ended June 30, 2005.....	6
Notes to the Financial Statements	7
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	11

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**Auditor of State
Betty Montgomery**

Northwest Library District
Wood County
181½ South Main Street
Bowling Green, Ohio 43402-2910

To the Board of Trustees:

As you are aware, the Auditor of State's Office (AOS) must modify the *Independent Accountants' Report* we provide on your financial statements due to a February 2, 2005, interpretation from the American Institute of Certified Public Accountants (AICPA). While AOS does not legally require your government to prepare financial statements pursuant to Generally Accepted Accounting Principles (GAAP), the AICPA interpretation requires auditors to formally acknowledge that you did not prepare your financial statements in accordance with GAAP. Our Report includes an opinion relating to GAAP presentation and measurement requirements, but does not imply the amounts the statements present are misstated under the non-GAAP basis you follow. The AOS report also includes an opinion on the financial statements you prepared using the cash basis and financial statement format the AOS permits.

A handwritten signature in cursive script that reads "Betty Montgomery".

Betty Montgomery
Auditor of State

November 30, 2006

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**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

Northwest Library District
Wood County
181½ South Main Street
Bowling Green, Ohio 43402-2910

To the Board of Trustees:

We have audited the accompanying financial statements of Northwest Library District, Wood County, (NORWELD) as of and for the years ended June 30, 2006 and 2005. These financial statements are the responsibility of NORWELD's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

As described more fully in Note 1, NORWELD has prepared these financial statements using accounting practices the Auditor of State prescribes or permits. These practices differ from accounting principles generally accepted in the United States of America (GAAP). Although we cannot reasonably determine the effects on the financial statements of the variances between these regulatory accounting practices and GAAP, we presume they are material.

Revisions to GAAP would require NORWELD to reformat its financial statement presentation and make other changes effective for the years ended June 30, 2006 and 2005. Instead of the combined funds the accompanying financial statements present for 2006 and 2005, the revisions require presenting entity wide statements and also to present its larger (i.e. major) funds separately for 2006 and 2005. While NORWELD does not follow GAAP, generally accepted auditing standards requires us to include the following paragraph if the statements do not substantially conform to the new GAAP presentation requirements. The Auditor of State permits, but does not require governments to reformat their statements. NORWELD has elected not to reformat its statements. Since NORWELD does not use GAAP to measure financial statement amounts, the following paragraph does not imply the amounts reported are materially misstated under the accounting basis the Auditor of State permits. Our opinion on the fair presentation of the amounts reported pursuant to its non-GAAP basis is in the second following paragraph.

In our opinion, because of the effects of the matter discussed in the preceding two paragraphs, the financial statements referred to above for the years ended June 30, 2006 and 2005, do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of NORWELD as of June 30, 2006 and 2005 for the years then ended.

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Northwest Library District, Wood County, as of June 30, 2006 and 2005, and its combined cash receipts and disbursements for the years then ended on the accounting basis Note 1 describes.

The aforementioned revision to generally accepted accounting principles also requires NORWELD to include Management's Discussion and Analysis for the years ended June 30, 2006 and 2005. NORWELD has not presented Management's Discussion and Analysis, which accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2006, on our consideration of the NORWELD's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance, and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.



Betty Montgomery
Auditor of State

November 30, 2006

**NORTHWEST LIBRARY DISTRICT
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental Revenue		\$125,396	\$125,396
Earnings on Investments	\$2,879	1,611	4,490
Services Provided to Other Entities	25,513	81,902	107,415
Miscellaneous Receipts	796		796
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	29,188	208,909	238,097
Cash Disbursements:			
Current:			
Salaries and Benefits	\$10,658	\$148,291	\$158,949
Purchased and Contracted Services	11,800	90,716	102,516
Library Material and Information	7,754	32,493	40,247
Supplies	524	6,311	6,835
Other	1,300		1,300
Capital Outlay		14,240	14,240
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	32,036	292,051	324,087
Total Cash Disbursements Over Cash Receipts	<hr/>	<hr/>	<hr/>
	(2,848)	(83,142)	(85,990)
Other Financing Receipts/(Disbursements):			
Transfers-In	25,637	9,716	35,353
Transfers-Out		(35,353)	(35,353)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	25,637	(25,637)	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/>	<hr/>	<hr/>
	22,789	(108,779)	(85,990)
Fund Cash Balances, July 1	<hr/>	<hr/>	<hr/>
	62,265	138,696	200,961
Fund Cash Balances, June 30	<hr/> \$85,054	<hr/> \$29,917	<hr/> \$114,971
Reserves for Encumbrances, June 30	<hr/>	<hr/>	<hr/>
	\$612	\$3,249	\$3,861

The notes to the financial statements are an integral part of this statement.

**NORTHWEST LIBRARY DISTRICT
WOOD COUNTY**

**COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND
CHANGES IN FUND CASH BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>Governmental Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>General</u>	<u>Special Revenue</u>	
Cash Receipts:			
Intergovernmental Revenue	\$6,300	\$145,579	\$151,879
Earnings on Investments	1,344	635	1,979
Services Provided to Other Entities	114,937	186,126	301,063
Miscellaneous Receipts	651		651
	<hr/>	<hr/>	<hr/>
Total Cash Receipts	123,232	332,340	455,572
Cash Disbursements:			
Current:			
Salaries and Benefits	\$12,910	\$148,681	\$161,591
Purchased and Contracted Services	18,712	89,136	107,848
Library Material and Information	7,105	78,930	86,035
Supplies	1,329	5,026	6,355
Other	3,529		3,529
Capital Outlay	99,499	4,977	104,476
	<hr/>	<hr/>	<hr/>
Total Cash Disbursements	143,084	326,750	469,834
Total Cash Receipts Over/(Under) Cash Disbursements	<hr/> (19,852)	<hr/> 5,590	<hr/> (14,262)
Other Financing Receipts/(Disbursements):			
Transfers-In	5,053	9,081	14,134
Transfers-Out		(14,134)	(14,134)
	<hr/>	<hr/>	<hr/>
Total Other Financing Receipts/(Disbursements)	5,053	(5,053)	
Excess of Cash Receipts and Other Financing Receipts Over/(Under) Cash Disbursements and Other Financing Disbursements	<hr/> (14,799)	<hr/> 537	<hr/> (14,262)
Fund Cash Balances, July 1	<hr/> 77,064	<hr/> 138,159	<hr/> 215,223
Fund Cash Balances, June 30	<hr/> \$62,265	<hr/> \$138,696	<hr/> \$200,961
Reserves for Encumbrances, June 30	<hr/> <hr/>	<hr/> <hr/> \$708	<hr/> <hr/> \$708

The notes to the financial statements are an integral part of this statement.

**NORTHWEST LIBRARY DISTRICT
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Northwest Library District, Wood County, (NORWELD) is a Metropolitan Library System, as defined by §3375.90 of the Ohio Revised Code, established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. NORWELD is an organization of public, academic, special, school, institutional, and other libraries or information services within the NORWELD's geographical service area. NORWELD operates under a Membership Council, which consists of library administrators and trustees from member libraries, and a Board of Trustees (15 members) elected by the Membership Council. The Board of Trustees is responsible for the provision of special library educational resources to NORWELD.

NORWELD's management believes these financial statements present all activities for which the NORWELD is financially accountable.

B. Basis of Accounting

These financial statements follow the basis of accounting the Auditor of State prescribes or permits. This accounting basis is similar to the cash receipts and disbursements basis. NORWELD recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

C. Cash and Investments

NORWELD's accounting basis includes investments as assets. Accordingly, NORWELD does not record investment purchases as disbursements or investment sales as receipts. NORWELD records gains or losses at the time of sale as receipts or disbursements, respectively.

STAR Ohio is recorded at share values.

D. Fund Accounting

The Library uses fund accounting to segregate cash and investments that are restricted as to use. The Library classifies its funds into the following types:

1. General Fund

The General Fund accounts for all financial resources except those required to be accounted for in another fund.

**NORTHWEST LIBRARY DISTRICT
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

2. Special Revenue Funds

These funds account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Library had the following significant Special Revenue Fund:

NORWELD Fund – This fund receives State Library allocations and membership fees from participating libraries to be used for program operations.

E. Budgetary Process

The Board must annually approve appropriation measures and subsequent amendments. Unencumbered appropriations lapse at year end. Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function level of control.

A summary of 2006 and 2005 budgetary activity appears in Note 3.

F. Property, Plant, and Equipment

The Library records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

G. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

2. EQUITY IN POOLED CASH AND INVESTMENTS

The Library maintains a cash and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash and investments at June 30 follows:

	<u>2006</u>	<u>2005</u>
Demand deposits	\$28,154	\$110,592
STAR Ohio	86,817	90,369
Total deposits and investments	<u>114,971</u>	<u>200,961</u>

Deposits: Deposits are insured by the Federal Depository Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

Investments: Investments in STAR Ohio are not evidenced by securities existing in physical or book-entry form.

**NORTHWEST LIBRARY DISTRICT
WOOD COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005
(Continued)**

3. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2006 and 2005 follows:

2006 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$58,453	\$32,648	\$25,805
Special Revenue	295,966	330,653	(34,687)
Total	\$354,419	\$363,301	(\$8,882)

2005 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$149,680	\$143,084	\$6,596
Special Revenue	322,965	341,592	(18,627)
Total	\$472,645	\$484,676	(\$12,031)

4. RETIREMENT SYSTEM

The Ohio Public Employees Retirement System (OPERS) is a state operated, cost-sharing, multiple employer public employee retirement system. The Ohio Revised Code prescribes retirement benefits for vested employees who are eligible to retire based upon years of service. OPERS also provides survivor and disability benefits to vested employees as the Ohio Revised Code prescribes.

Contribution rates are prescribed by the Ohio Revised Code. NORWELD's OPERS members contributed 4.25 percent and NORWELD "picked up" 4.25 percent of participants' gross salaries. NORWELD contributed an amount equal to 13.55 percent of participants' gross salaries for 2006 and 2005. NORWELD has paid all contributions required through June 30, 2006.

5. RISK MANAGEMENT

Commercial Insurance

NORWELD has obtained commercial insurance for the following risks:

- Comprehensive property and general liability;
- Errors and omissions.

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**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

Northwest Library District
Wood County
181½ South Main Street
Bowling Green, Ohio 43402-2910

To the Board of Trustees:

We have audited the financial statements of the Northwest Library District, Wood County, (NORWELD) as of and for the years ended June 30, 2006 and 2005, and have issued our report thereon dated November 30, 2006, wherein we noted NORWELD follows the accounting practices the Auditor of State prescribes rather than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered NORWELD's internal control over financial reporting to determine our auditing procedures to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses. In a separate letter to NORWELD's management dated November 30, 2006, we reported another matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether NORWELD's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

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Northwest Library District
Wood County
Independent Accountants' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Required by *Government Auditing Standards*
Page 2

We intend this report solely for the information and use of the management and the Board of Trustees. It is not intended for anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

November 30, 2006



**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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NORTHWEST LIBRARY DISTRICT

WOOD COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
DECEMBER 26, 2006**